

January 17, 2006

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: D.T.E. 05-86

Dear Secretary Cottrell:

Massachusetts Electric Company and Nantucket Electric Company d/b/a National Grid (“National Grid” or “Company”) hereby submit written comments in the above-captioned docket.

We appreciate the opportunity to provide comments.

Background

In compliance with St. 2005, c. 140, § 17 (“Chapter 140”), the Department has opened this investigation to develop generic standards for arrearage management programs for low-income customers of jurisdictional electric and gas companies organized pursuant to G.L. c. 164. The Department conducted a public hearing on January 6, 2006 at which it received oral comments, and is now accepting written comments as well.

Chapter 140 also required each jurisdictional company to file an arrearage management program with the Department by December 30, 2005. Working with Action Energy, the National Consumer Law Center, and the Attorney General’s office (together the “Consumer Advocates”), National Grid developed three arrearage management programs. Our settlement with the Consumer Advocates describes these programs and is pending before the Department for approval.

Each program targets a different category of customer, and together they cover a broad cross section of customers.

The Residential Assistance to Families in Transition (“Raft”) program, funded by the State of Massachusetts through the Department of Housing and Community Development (“DHCD”), is designed to prevent homelessness by paying arrears balances associated with housing or energy costs. In agreement with DHCD, National Grid will receive payment for one-half the balance owed to it, the eligible customer will be responsible for one-quarter through a payment program, and National Grid will forgive the remainder when the eligible customer has successfully paid his or her balance under the payment program.

The Low-Income Arrears Management Program (“LAMP”) will provide forgiveness of a portion of an arrears balance in return for an eligible customer agreeing to and keeping an affordable twenty-four month level payment plan. Eligible customers will be qualified by the CAP agencies. The program will allow forgiveness of 67% of pre-plan arrears balance, up to a maximum of \$1,000. The amounts will be forgiven one-fifth upon enrollment and one-fifth every six months thereafter, as long as the customer remains active on the plan.

The third program is modeled after similar plans that other Massachusetts utilities have implemented. The purpose of the program is to help prevent or resolve homelessness for customers, who qualified for the low income rate in the past, but were billed on the regular residential rate because the customers failed to apply for the low income rate at the time that service was actually rendered. Through the program, eligible customers will typically receive a credit of approximately 20% of the original amount billed under the regular residential rate, up to the amount of the customer’s arrears balance.

National Grid's proposed programs are similar to the programs offered or proposed to be offered by other Massachusetts utilities, but not identical, primarily because of differences in information technology systems that the various utilities use. As indicated in our settlement, we believe that this is appropriate, and furthermore, that the existence of different programs will provide useful information for the Department, the Parties, and other utilities about which program designs work best as we all review these programs in the future.

In these written comments, National Grid addresses eligibility, scope, goals, monitoring and measuring of progress, costs, and cost recovery. National Grid believes that as the companies implement their arrearage management plans this year, much information will be gleaned about all of these issues which will help inform future program design. Accordingly, National Grid recommends that the Department allow the utilities to implement their various proposals and review them in 2006, for a better understanding of what makes an effective arrearage management plan.

Eligibility

Arrearage management programs should target those who would most likely successfully participate and therefore benefit. They are not necessarily appropriate for all low-income customers, and thus should not be open to all. Community Action Program ("CAP") agencies are well situated to identify customers for whom a program would be appropriate, and should be allowed to have the responsibility of assessing and recommending potential participants. In National Grid's proposed programs, enrollment is limited to residential customers on the low income rate who have a manageable level of arrears and who, in the opinion of the CAP agency, have a good chance of success in the programs.

Scope

Arrearage management programs should be limited to address utility arrears and other utility related issues, such as weatherization and fuel assistance. Including other aspects of client assistance unnecessarily complicates the programs and increases the cost of providing the programs, which must then be passed on to other utility rate payers. This would be inappropriate. Other agencies are better situated to assess need and deliver required services.

Goals

Arrearage management programs should enable participants to become current on their utility bill and learn how to stay current. Arrearage management programs should be constructed to minimize the cost of delivering benefits such that actual benefits, and not administration, represent an overwhelming majority of the overall cost. These goals can be accomplished through various program designs.

Measuring and Monitoring Progress

Goals with respect to participant success could be measured in the following ways, for example: (1) percent of those enrolled who successfully remain in the program over time; (2) percent of those enrolled who successfully complete the program in the original time frame; and (3) percent of those who complete the program and remain current in payment of their bill six, twelve, eighteen, and twenty-four months after program completion. The goal of minimizing the cost of the program in relation to its benefit can be measured by dividing the program

administration costs by the total program costs, including but not limited to the costs of administration and arrearage forgiveness.

The Company recommends that goals be structured so that they measure programs across utilities at similar points in the program, and not necessarily at the same time, at least in the initial years of the program. For example, one utility may actually first offer its programs to customers several months after another utility, because of the length of time needed to develop the computer systems necessary to run a program. Thus, at a given date, that utility would not be as far along in its programs as one that had started earlier.

As to reporting to the Department, John Howat, on behalf of the National Consumer Law Center, during his oral comments at the Public Hearing, passed out a hand-out which stated that one of the objectives of monthly reporting by jurisdictional companies is to assess the availability of necessary utility services. National Grid questions whether the availability of utility services is a concern or even within the scope of Chapter 140. Mr. Howat's handout also suggests that the reporting should inform the design and implementation of other low income energy programs and policies. This may be appropriate in the future, but we must all first determine whether and how the utilities' proposed programs are effective. National Grid does not believe that the National Consumer Law Center's proposed reporting would provide sufficient information to determine the effectiveness of an arrearage management program. Other statistics, such as the number of customers who successfully complete the arrearage management and the number who default from the program, will be important interim measures of success. Should the Department wish to develop revised reporting requirements, National Grid would be happy to work with the Department in that regard.

Costs and Cost Recovery

Costs to implement an arrearage management program include information technology costs, personnel time to develop, administer and monitor the program, the cost of the arrears forgiven, and CAP fees. There may be offsets to costs, such as reduced field visits and outbound calls. Utilities should quantify both costs and cost offsets, and be allowed to recover the difference until their next base rate case.

Recommendation for 2006 Review

National Grid strongly recommends that the Department allow the utilities to offer their programs as proposed over the coming year, and review the results in 2006. With time, the Department will be able to determine which programs are performing well and why. Statistics such as customers' short term default rate in the various programs will be very instructive.

Thank you very much for the opportunity to provide these comments.

Very truly yours,


Amy G. Rabinowitz